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June 20, 2005

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: ***Ex Parte* Communication, *Developing Unified Intercarrier Compensation Regime*, CC Docket 01-92**

Dear Ms. Dortch:

On Tuesday, February 1, 2005, Gary M. Epstein and Richard R. Cameron of Latham & Watkins LLP, counsel for the Intercarrier Compensation Forum ("ICF"), together with Jim Lamoureux of SBC Communications Inc., Dick Juhnke and Jeff Lindsey of Sprint Corporation, Joel Lubin and Amy Alvarez of AT&T Corp., Tina Pidgeon of General Communication, Inc. ("GCI"), John Nakahata of Harris, Wiltshire & Grannis LLP (on behalf of GCI and Level 3 Communications, LLC), Paul Kouroupas of Global Crossing North America Inc. (by telephone), and Ed Krachmer of Iowa Telecom (by telephone) met with Michelle Carey, Legal Advisor to Chairman Kevin J. Martin.

At the meeting, we handed out the materials attached to this letter and discussed both these materials and, more generally, the comments and responses to the reply comments in the above docket.

Please direct any questions concerning this matter to me at (202) 637-2225.

Very truly yours,

/s/ Richard Cameron

Richard R. Cameron

Intercarrier Compensation and Universal Service Reform Plan

Intercarrier Compensation Forum

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The System is Broken

- Even When the Services are Fundamentally Alike, the Present System:
  – Establishes financial responsibility for the origination, interconnection and termination of traffic in a disparate and uneconomic manner;
  – Applies different rate structures; and
  – Applies different rate levels.
- Competition and new technology make this system obsolete and unsustainable.

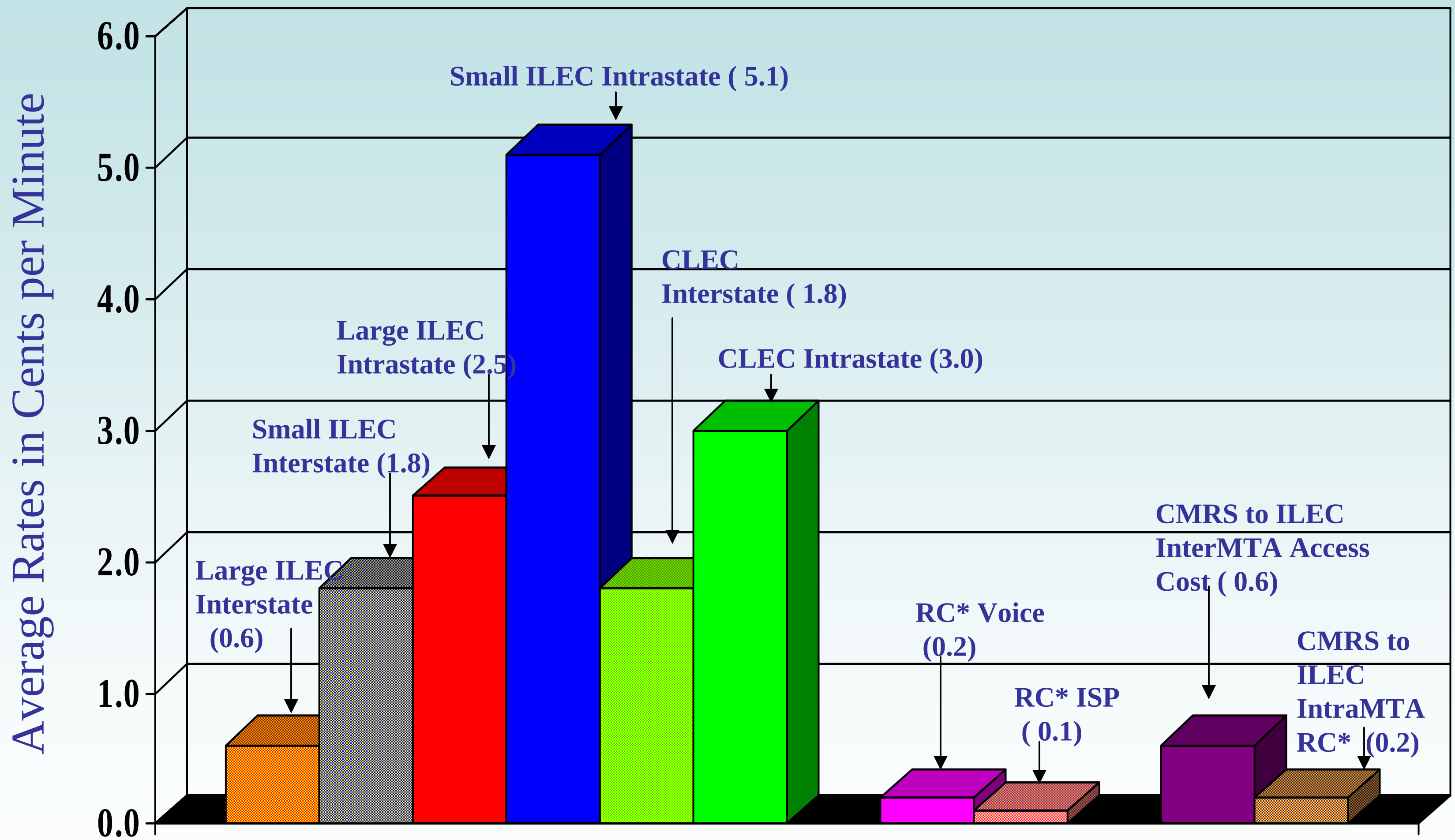
The Result

- Today’s rules limit consumer choices.
- Today’s rules encourage arbitrage and create inefficiency.
- Today’s rules create uncertainty and instability.
- Today’s rules fail fully to support universal service.
- Today's rules favor technologies that arbitrarily avoid the current system.
- Today’s rules distort innovation.

Consumers Are Being Harmed

- Consumers do not receive the bundles and service packages they want.
- The current system encourages small rural local calling areas and forces carriers to maintain an archaic local-toll distinction.
- Consumers pay unsustainable inflated averaged toll rates that include implicit support.
- Low income consumers face particular risk from high toll charges.

Intercarrier Compensation Rates



	LONG DISTANCE CALLS						LOCAL CALLS		WIRELESS CALLS	
High (¢/min):	1.5	8.9	9.9	34.9	6.8	35.9	0.3	0.1	8.9	0.3
Low (¢/min):	0.5	0.3	0.4	0.7	0.2	0.4	0.0	0.0	0.2	0.0

* *RC = Reciprocal Compensation*

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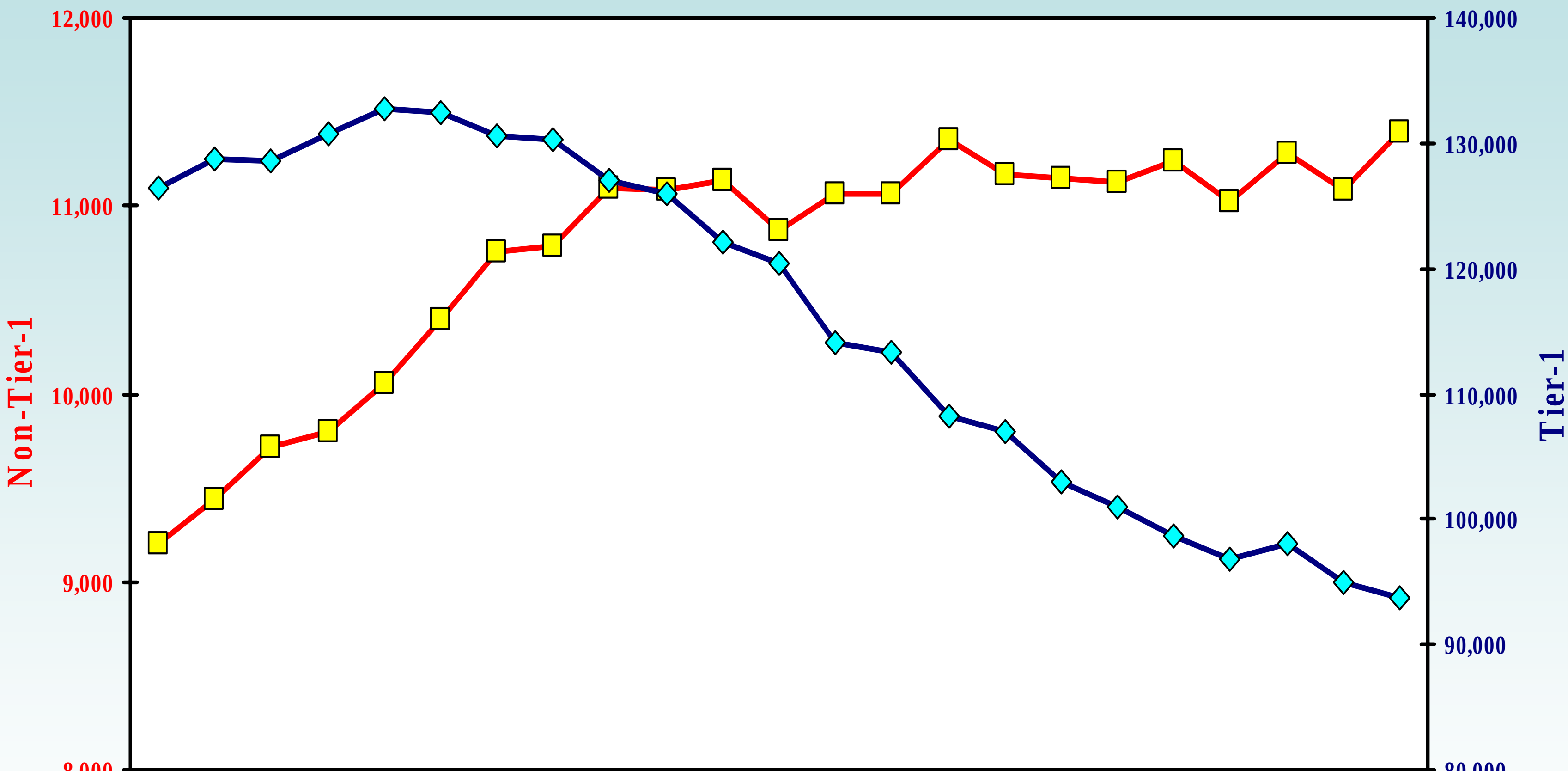
Interstate Access Minutes (Millions) of Non-Tier-1 & Tier-1 ILECs



	1	2	3	4	1	2	3	4	1	2	3	4
	1999	1999	1999	1999	2000	2000	2000	2000	2001	2001	2001	2001
Non-Tier 1	9,207	9,444	9,713	9,798	10,054	10,396	10,760	10,786	11,096	11,084	11,132	10,871
Tier 1	126,486	128,754	128,584	130,694	132,817	132,425	130,554	130,226	126,978	126,019	122,156	120,336

	1	2	3	4	1	2	3	4	1	2	3
	2002	2002	2002	2002	2003	2003	2003	2003	2004	2004	2004
Non-Tier 1	11,068	11,067	11,352	11,162	11,152	11,126	11,237	11,025	11,284	11,083	11,394
Tier 1	114,152	113,344	108,155	106,948	103,031	100,963	98,736	96,761	97,997	94,993	93,784

Year/Quarter

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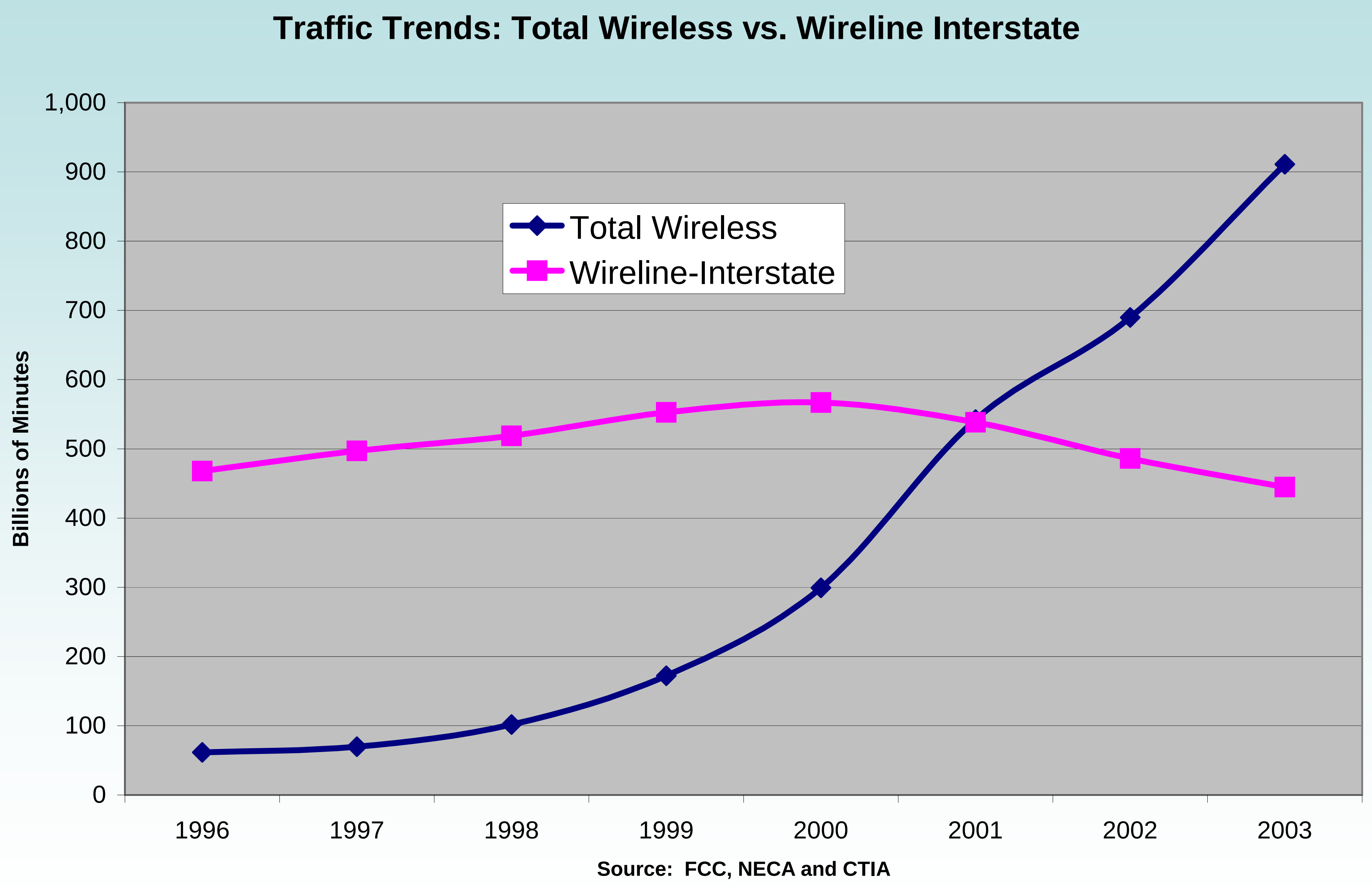

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Our Goals

The Intercarrier Compensation and Universal Service Reform plan is designed to further the following public policy goals:

- ✓ Preserve and enhance universal service in all parts of the U.S.;
- ✓ Facilitate carrier efforts to innovate and offer new services and packages to consumers;
- ✓ Minimize or eliminate uneconomic arbitrage opportunities created by existing regulations in order to encourage timely deployment of new network technologies and capabilities;
- ✓ Minimize the cost of regulation by eliminating intercarrier disputes over interconnection and compensation arrangements; and
- ✓ Allow consumers and carriers to adjust expectations and business plans by implementing new intercarrier compensation and universal service structures over a reasonable transition period.

Our Process

- The industry group met for over 18 months to craft a comprehensive solution.
- Local, long distance, rural, wireless, competitive, and internet providers participated and provided significant input, which is fully reflected in the Plan.
- A single industry segment plan would have been quicker and easier to develop than the consensus ICF Plan, but would not be balanced.

The Solution – Network Interconnection

The Plan:

- Recognizes that financial responsibility for carrying traffic should change at a uniform point, no matter the origin of the traffic or the identity of the sending carrier.
- Adopts default rules requiring a carrier to establish a physical network location or “Edge” for receiving traffic within a LATA.
- Requires the originating carrier to deliver traffic from the calling party to the interconnecting carrier’s Edge.
- Requires the terminating carrier to carry traffic from its Edge to the called party.
- Assigns default responsibility for establishing interconnecting trunks between the networks depending on whether the network is “tandem-based,” “flat,” or “rural.”

The Solution – Rate Structure

The Plan:

- Requires that an originating carrier bear the costs of delivering traffic to the recipient carrier's Edge and must recover those costs from its own end users.
- Requires that if such an originating carrier uses the transiting facilities of another carrier to fulfill such obligation, it must compensate that carrier accordingly.
- Requires that a terminating carrier bear the cost of delivering traffic received at its Edge to the called party, and must recover those costs from its end user customers.

The Solution – Rate Levels

The Plan:

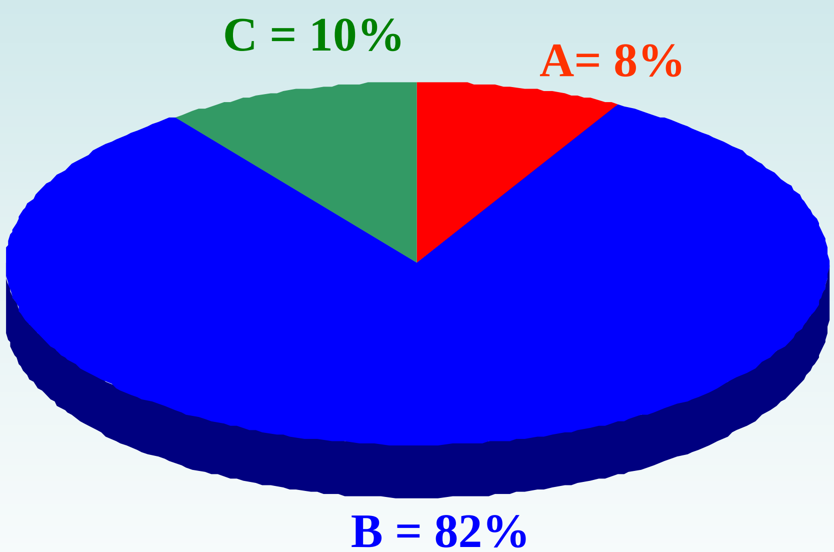
- At the end of three years (starting on July 1, 2005), achieves a uniform intercarrier compensation rate structure and level consisting of a single rate element of $0.000175 per minute for terminating all traffic.
- During this three year transition period, recognizes and carefully adjusts the various existing disparate intercarrier interconnection regimes to reach this uniform rate.
- Maintains this termination rate unchanged for two years, and then transitions the rate to bill-and-keep by July 1, 2011.
- To the extent a carrier uses a transiting provider to fulfill its network responsibilities, requires that carrier to compensate the transiting provider at capped rates as specified in the Plan.
- Includes rate protections for rural America sought by rural carriers.

The Solution – Carrier Recovery

The Plan:

- Replaces intercarrier compensation with end user revenues and explicit universal service support.
- Provides for gradual and capped increases to end user charges over a period of four years, up to a maximum of $10.00 per month.
- Provides increased explicit universal support to ensure that rates remain affordable and reasonably comparable across urban and rural areas.
- Creates the Intercarrier Compensation Recovery Mechanism (ICRM) to support all carriers designated as Eligible Telecommunications Carriers (ETCs).
- Creates the Transitional Network Recovery Mechanism (TNRM) to support rural carriers and other designated ETCs that lose access revenues as a result of the plan.

Source of Current Access Dollars Under The ICF Plan
- Non-Rural ILECs



ICF Plan @ Step 5
($ Millions)

A.	Intercarrier Payments Opportunity:	$ 594
B.	Enduser Revenue Opportunity:	$6,164
C.	Additional ICRM Funding Opportunity:	$ 745

Total Current Access $ $7,503

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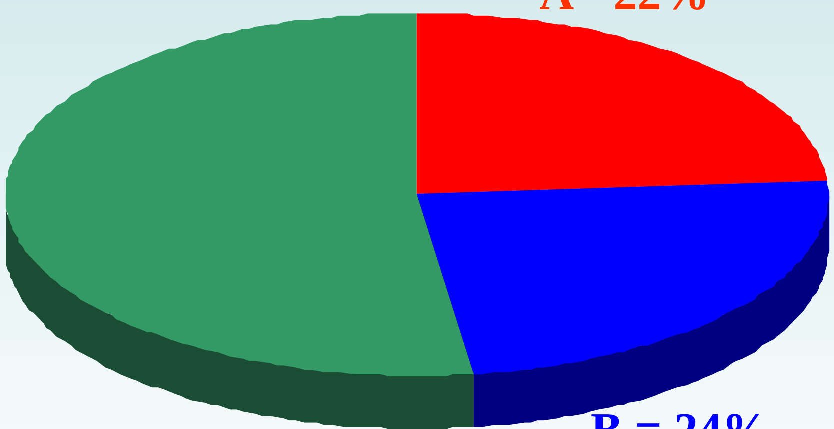
Source of Current Access Dollars Under The ICF Plan – Rural ILECs



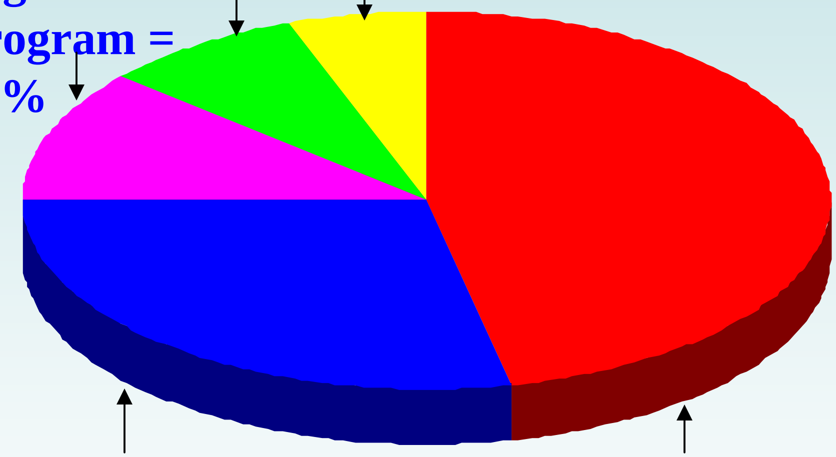
<u>ICF Plan @ Step 5</u>

<u>($ Millions)</u>

A.	Intercarrier Payments Opportunity:	$ 530
B.	Enduser Revenue Opportunity:	$ 563
C.	TNRM Support:	<u>$1,300</u>

Total Current Access $ $2,393

Components Of Total ICRM/TNRM Funds Under ICF Plan - All ILECs



ICF Plan @ Step 5
($ Millions)

1.	Rural Support From IC Restructure:	$ 1,300
2.	Non-Rural Support from IC Restructure:	$ 745
3.	Changes to High Cost Program Support:	$ 300
4.	Increase in Lifeline Program Support:	$ 249
5.	Net Settlements not in the Base:	$ 150
Total Additional FUSF		$ 2,744

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The Solution – Universal Service

- Creates universal service stability and predictability using a broader contribution base and a sustainable contribution mechanism.
- Replaces today's unsustainable revenue-based system with a unit-based system that assesses unique working telephone numbers and non-switched, high-speed, dedicated network connections.
- Bases unit assessments of 1 unit on each unique working telephone number.
  - Residential DSL, cable modem and other high-speed, non-circuit-switched connections assessed 1 unit.
  - Business, non-switched, dedicated network connections assessed between 1 and 100 units depending on capacity.
- Enhances incentives for rural investment.

The ICF Results

- The ICF Plan Achieves:
  - Uniform Network Interconnection Rules.
  - Uniform Rate Structure.
  - Uniform Rate Levels.
  - Universal Service Reform and Stability.
- The ICF Plan Resolves the Myriad of Problems Present in Today's Broken System.

ICF Plan Benefits to Rural Carriers

- Rate-of-Return Principles for Access Revenues (Inter- and Intra-State) Remains Intact.
- Continued Substantial Revenue Stream Through Intercarrier Charges.
- Measured SLC Transition:
  - Between Step 1 and Step 5, Monthly Residential SLC Caps increase from \$6.50 to \$9.00 in \$0.50 Annual Increments.
- Prescribed Reciprocal Compensation Rates for CMRS Traffic.
- Opportunity for Special Access Mid-Course Correction

ICF Plan Benefits to Rural Carriers (Contd.)

- Transiting:
  - To The Extent a CRTC Uses Another Carrier’s Tandem Transit Service, That CRTC Is Only Obligated To Pay For Traffic Destined To Other CRTCs.
- The ICF Plan Creates Incentives Which Will Enable Rural Carriers To Compete More Effectively.
- The ICF Plan Will Encourage Rural Carriers To:
  - Expand Local Calling Scope
  - Offer Bundles and Flat-Rate Services
  - Expand In To Long Distance Business